

EXHIBIT 1

INTRODUCTION

Respondent Union of American Physicians & Dentists Medical Defense Fund Electoral (hereafter the “UAPD”) is a general purpose recipient committee, sponsored by the Union of American Physicians & Dentists (hereafter the “Union”), an affiliate of the American Federation of State, County and Municipal Employees. Respondent Peter A. Statti, M.D. is the treasurer of Respondent UAPD.

The Franchise Tax Board (the “FTB”) conducted an audit of UAPD for the reporting period January 1, 1997 through December 31, 1998. The only material finding in the audit report was Respondents’ failure to disclose specific information regarding individual Union members whose cumulative contributions totaled \$100 or more.

For the purposes of this stipulation, Respondents’ violations of the Political Reform Act (the “Act”)¹ are stated as follows:

COUNT 1: Respondents failed to itemize individual contributions totaling \$39,370 on campaign statements filed on and between July 31, 1997 and January 31, 1998, for reporting periods January 1, 1997 through December 31, 1997, in violation of Section 84211, subdivision (f).

COUNT 2: Respondents failed to itemize individual contributions totaling \$23,950 on campaign statements filed on and between July 31, 1998 and January 31, 1999, for reporting periods January 1, 1998 through December 31, 1998, in violation of Section 84211, subdivision (f).

RESPONDENTS: Union of American Physicians & Dentists Medical Defense Fund Electoral, and Peter A. Statti, M.D.

SUMMARY OF THE LAW

In order to fully inform the public and inhibit improper practices, Section 81002 provides that campaigns shall fully and truthfully disclose information regarding receipts and expenditures in election campaigns. The Act established a campaign reporting system to accomplish this purpose.

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. Pursuant to Section 84200, subdivision (a), a committee, which has qualified as a committee under Section 82013, subdivision (a), shall file semi-annual campaign statements each year no later than

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All references to “Section(s)” are to the aforementioned Government Code unless otherwise indicated. Commission regulations appear at Title 2, California Code of Regulations, section 18109, *et seq.* All references to “Regulation(s)” are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

July 31 for the six month period ending June 30, and no later than January 31 for the six month period ending December 31. In addition, Section 84200.5, subdivision (c) requires committees to file pre-election campaign statements during election years. The filing guidelines for pre-election campaign statements are found in Section 84200.8.

Section 84211 prescribes that certain information must be disclosed on campaign statements, which are required to be filed, including information about the contributions received, and the expenditures made by the committee. Pursuant to Section 84211, subdivision (f), when the cumulative amount of contributions received from any person, or group of persons acting in concert, equals or exceeds \$100, the cumulative amount of the contributions and information regarding the contributors must be reported on the committee's campaign statements. In addition to the amount of the contribution and the date it was received, the recipient of the contribution must report the full name, street address, occupation and employer of the contributor.

SUMMARY OF THE FACTS COUNTS 1 - 2

The Union of American Physicians & Dentists is a union that represents more than 1,000 state employees. Respondent UAPD is a general purpose recipient committee, sponsored by the Union, that has been in existence since 1981, and makes political contributions to state and local candidates. Respondent UAPD solicits funds in the form of voluntary contributions from Union members in monthly amounts ranging from five to thirty dollars. Over 900 Union members make contributions to the UAPD each month. Respondent Peter A. Statti, M.D. is the treasurer of UAPD.

The FTB conducted an audit of UAPD's campaign statements for the reporting period January 1, 1997 through December 31, 1998. During the audit period, Respondents received contributions totaling \$131,589, and made expenditures totaling \$134,663. The FTB released an audit report concerning UAPD to the Commission on April 30, 2001. The only material finding in the audit report was Respondents' failure to disclose specific information regarding individual Union members whose cumulative contributions to UAPD totaled \$100 or more. For each of the following reporting periods, the following total amounts of contributions were not properly itemized:

<u>Reporting Period</u>	<u>Amount Not Itemized</u>
01/01/97 through 06/30/97	\$ 3,250
07/01/97 through 12/31/97	36,120
1997 Total:	\$39,370
01/01/98 through 06/30/98	2,890
07/01/98 through 09/30/98	1,620
10/01/98 through 10/17/98	6,590
10/18/98 through 12/31/98	12,850
1998 Total:	\$23,950
Grand Total:	\$63,320

Gary Robinson, UAPD's Executive Director, stated that UAPD misunderstood the reporting requirement concerning individual contributors. They understood that individual contributors should be itemized only when their contributions in a given reporting period totaled \$100 or more. Accounting Specialist Bill Marland of the Commission's Enforcement Division examined UAPD's campaign statements filed over the previous 10 years, and concluded that Respondents had consistently reported contributions in this manner.

Although UADP was previously audited by FTB, this reporting error had never been addressed. Accounting Specialist Marland reviewed audit reports for UAPD for the periods January 1, 1989 through December 31, 1990, and January 1, 1991 through December 31, 1992. Neither of these audit reports revealed findings that Respondents failed to itemize individual contributions totaling \$100 or more.

The semi-annual campaign statement filed for the period ending December 31, 2000 – the first campaign statement filed by Respondents after they were made aware of the reporting error – revealed that Respondents properly reported information regarding individual contributors who made cumulative contributions totaling \$100.

CONCLUSION

The amount of contributor information not itemized is fairly significant, and totals 48% of the contributions received by Respondents during the audit period. However, it appears that Respondents were unaware of the requirement to itemize contributions of \$100 or more from individual contributors. Respondents understood that they were required to itemize only if an individual made contributions totaling \$100 or more in a given reporting period. This was the only finding from the FTB audit of a significantly large campaign.

Respondents consistently failed to report information regarding individual contributors over a ten-year period, and despite two formal FTB audits, the reporting error was not detected or addressed. Following the 1997-1998 FTB audit, Respondents took corrective action and disclosed information regarding individual contributors whose cumulative contributions totaled \$100. Furthermore, there appears to be little or no public harm from the reporting error.

This matter consists of two counts which carry a maximum possible administrative penalty of Four Thousand Dollars (\$4,000.00). The facts of the case, including the mitigating and aggravating factors discussed above, justify the imposition of the agreed upon penalty of Two Thousand Dollars (\$2,000.00).